



General Assembly

January Session, 2011

Committee Bill No. 171

LCO No. 3350

* SB00171JUD__042911__ *

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

***AN ACT CONCERNING DISCLOSURES TO BENEFICIARIES OF LIFE
INSURANCE PROCEEDS AND RETAINED ASSET ACCOUNTS.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 38a-454 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2011*):

3 (a) (1) Any domestic life insurance company shall have power to
4 hold the proceeds of any policy issued by it under a trust or other
5 agreement upon such terms and restrictions as to revocation by the
6 policyholder and control by beneficiaries and with such exemptions
7 from the claims of creditors of beneficiaries other than the policyholder
8 as have been agreed to in writing by such company and the
9 policyholder. Such insurance company shall not be required to
10 segregate funds so held but may hold them as a part of its general
11 corporate assets. Similar terms, restrictions and exemptions, for the
12 benefit of any payee other than the purchaser, may be included by any
13 such company in any annuity contract or any agreement issued in
14 connection therewith or supplemental thereto. When any foreign or
15 alien life insurance company doing business in [Connecticut] this state
16 holds the proceeds of a life insurance policy or annuity contract under

17 any trust or other agreement consistent with its charter or the laws of
18 its domicile, beneficiaries of such trust or other agreement shall be
19 entitled to exemptions from claims of creditors as hereinbefore
20 provided to the same extent as if the trust or other agreement were
21 entered into with a domestic life insurance company.

22 (2) Prior to the tender, other than as a lump sum payment, of the
23 proceeds of a life insurance policy, the life insurance company shall
24 provide to a beneficiary or the beneficiary's legal representative, in
25 written or electronic format, in plain language and in not less than
26 twelve-point type, a complete description and explanation of all the
27 proceeds payment options available to such beneficiary, including, but
28 not limited to, the beneficiary's right to receive a lump sum payment in
29 the form of a bank check.

30 (b) (1) For purposes of this subsection, "retained asset account"
31 means a checking account established by an insurance company, into
32 which such company deposits the proceeds of a life insurance policy
33 pursuant to a supplementary contract with the beneficiary of such
34 policy or the beneficiary's legal representative.

35 (2) No life insurance company shall use a retained asset account to
36 hold the proceeds of a life insurance policy unless such company
37 discloses the following in written or electronic format, in plain
38 language and in not less than twelve-point type, to the beneficiary or
39 the beneficiary's legal representative, and receives such beneficiary's or
40 beneficiary's legal representative's agreement, in writing, to the use of
41 a retained asset account:

42 (A) That the beneficiary should consult an investment advisor, a
43 financial advisor or a professional tax advisor regarding possible
44 investment options and tax liabilities;

45 (B) That the payment of some or all of the proceeds may be by
46 means of checks delivered to the beneficiary to access the available
47 funds;

48 (C) That the entire amount of the proceeds are available to the
49 beneficiary by writing a single check;

50 (D) The initial interest rate, an explanation of how and when interest
51 rates may change and any dividends or other gains that may be paid
52 or distributed to the beneficiary;

53 (E) That the insurance company or a related party may invest the
54 account funds and derive income, in addition to any fees charged to
55 the account, from earnings received on such investment;

56 (F) The custodian of the account funds;

57 (G) The coverage guaranteed by the Federal Deposit Insurance
58 Corporation and the amount of such coverage;

59 (H) The limits, if any, on the number and amount of fund
60 withdrawals that may be made from the account;

61 (I) The delays, if any, that the beneficiary may encounter in
62 completing authorized transactions and the anticipated duration of
63 such delays;

64 (J) Any fees that may apply to the account and any services
65 provided by the insurance company for a fee, including the amounts of
66 such fees or the methods of their calculation;

67 (K) The nature and frequency of account statements;

68 (L) The contact information, including Internet web site address, for
69 the beneficiary to obtain additional information regarding the account;
70 and

71 (M) The following statement: "For further information, please
72 contact the Insurance Department.". The statement shall include the
73 contact information of said department.

74 (3) Each life insurance company shall immediately return any funds

75 held in a retained asset account to the beneficiary when no funds have
76 been withdrawn and no affirmative directive has been provided to the
77 insurance company by the beneficiary or the beneficiary's legal
78 representative over any continuous four-year period.

79 (4) Each life insurance company shall report annually to the
80 Insurance Commissioner, in a form and manner prescribed by said
81 commissioner, the following information for retained asset accounts
82 established for beneficiaries residing in the state:

83 (A) The number and aggregate dollar amount of retained asset
84 accounts in existence on January first of the calendar year immediately
85 preceding;

86 (B) The number and aggregate dollar amount of retained asset
87 accounts opened during the calendar year immediately preceding;

88 (C) The number and aggregate dollar amount of retained asset
89 accounts closed during the calendar year immediately preceding;

90 (D) The number and aggregate dollar amount of retained asset
91 accounts in existence on December thirty-first of the calendar year
92 immediately preceding;

93 (E) The aggregate dollar amount of investment earnings during the
94 calendar year immediately preceding resulting from the investment of
95 retained asset account funds;

96 (F) The aggregate dollar amount of fees and other charges assessed
97 to retained asset accounts during the calendar year immediately
98 preceding;

99 (G) A description of the interest rate or rates paid on retained asset
100 accounts during the calendar year immediately preceding and the
101 methodology and factors used to determine such rate or rates paid to
102 the beneficiaries of such accounts;

103 (H) The number and aggregate dollar amounts of retained asset
104 accounts that have been in existence for one, three and five years;

105 (I) The identity of any entity or financial institution that administers
106 retained asset accounts on the insurance company's behalf;

107 (J) The number and aggregate dollar amount of retained asset
108 accounts that were escheated in the calendar year immediately
109 preceding; and

110 (K) Any other information relating to retained asset accounts the
111 Insurance Commissioner may require.

112 (c) A violation of this section shall be deemed an unfair practice
113 pursuant to section 38a-816.

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| This act shall take effect as follows and shall amend the following sections: | | |
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| Section 1 | October 1, 2011 | 38a-454 |
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INS *Joint Favorable*

JUD *Joint Favorable*